



# San Diego City Attorney **MICHAEL J. AGUIRRE**

## **NEWS RELEASE**

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**Contact: Maria Velasquez, Communications Director: (619) 235-5725** (pager & voicemail) [mvelasquez@saniego.gov](mailto:mvelasquez@saniego.gov)

### **AGUIRRE PAINTS DIRE PICTURE OF PENSION SYSTEM'S FINANCIAL HEALTH, DISPUTES PENSION OFFICIALS ASSURANCES THAT ALL IS WELL**

**San Diego, CA:** Utilizing recently attained pension documents that portray the financial imbalance of the pension system's assets and liabilities, City Attorney Michael Aguirre today described assurances made yesterday by officials with the San Diego City Employees' Retirement System (SDCERS), as misleading to the public and to retirees.

Currently there are 19,000 members in the pension system. As of June 30, 2004, there were 5,723 that had retired. The total value of the retirement pensions due to these retirees was \$1,946,660,328. But the total available reserve for these members was \$1,463,754,057—a staggering shortfall of almost half a billion dollars.

With a pension system that currently counts \$4 billion in assets half of those assets (\$2 billion) are required to fund the pension of 1/3 of its members, i.e., current retirees. Almost 72% of those retirees left City employment prior to January 1, 1997 before the passage of the City Manager Proposal 1, (MP1) which initiated an increase in unfunded benefits and a reduction in the City's contribution to the pension system. Although, the rate of retirement of City employees has remained relatively stable, the amount of individual pensions has increased dramatically due to MP1 and MP2, which were approved by the City Council and SDCERS in 1996 and 2002, respectively.

"All members of the retirement system need to know the hard facts about how their union leadership negotiated agreements which have placed us in the precarious financial predicament that we now find ourselves in," said City Attorney Aguirre. "These numbers are very sobering and offer a stark picture of just how bad the situation is."

Currently, the retirement system is close to \$2 billion in the hole. This does not include an additional \$1 billion to cover member healthcare costs, which have never been funded under a separate trust. Of the \$2 billion shortfall, it is projected that \$700-\$800 million is a result of the illegal under funding that occurred under MP1 and MP2. The remainder constitutes legal benefits that the City is required to fund. City Attorney Aguirre has opined that the MP1 and MP2 violated the City Charter and the State Constitution, and is seeking court intervention to have those unfunded benefits rescinded.

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